

## Message Text

LIMITED OFFICIAL USE

PAGE 01 BEIRUT 07250 01 OF 02 040427Z

14

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00

ACDA-07 PA-01 PRS-01 LAB-04 SIL-01 /119 W

----- 115447

R 021500Z SEP 76

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 1680

INFO AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY THE HAGUE

AMEMBASSY PARIS

LIMITED OFFICIAL USE SECTION 1 OF 2 BEIRUT 7250

E.O. 11652: N/A

TAGS: ENRG LE

SUBJECT: OIL COMPANIES SEEK TO CUT BACK OPERATIONS IN LEBANON

REF: (A) BEIRUT 6789, (B) CAIRO 11304

1. SUMMARY: MAJOR CONTROVERSY BEGUN BY MOBIL AND ESSO  
DECISION TO CLOSE MARKETING OPERATIONS IN LEBANON. OTHER  
FOREIGN OIL INTERESTS MAY FOLLOW. TAPLINE QUIETLY CLOSING  
BEIRUT OFFICE AND MOVING TO SIDON. LOCAL COMPANIES  
REDUCING STAFFS. WAR HAS RESULTED IN MAJOR DISRUPTIONS  
AND LOSSES, BUT MAJORS ALSO HAVE UNRESOLVED NATIONALIZATION  
PROBLEMS WITH LEBANESE GOVERNMENT (GOL), AND ALL COMPANIES  
SUFFERING UNDER GOL PRICE CONTROLS. LABOR UNION HAS  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BEIRUT 07250 01 OF 02 040427Z

VEHEMENTLY PROTESTED MOBIL AND ESSO DECISIONS, AND PLANS

TAKE OVER AND CONTINUE MOBIL AND ESSO OPERATIONS. GOL  
SEEKING VIABLE SOLUTION. END SUMMARY.

2. TWO AMERICAN OIL DISTRIBUTING COMPANIES, MOBIL OIL  
AND ESSO, ANNOUNCED DECISIONS DISCONTINUE BUSINESS  
OPERATIONS IN LEBANON AS OF AUGUST 31, 1976. MOBIL  
ANNOUNCEMENT APPEARED IN BEIRUT PRESS AUGUST 20-22,  
FOLLOWED BY SIMILAR ESSO NOTICE. SHELL CO. (DUTCH/UK  
INTERESTS) AND TOTAL LIBAN (CFP) (FRENCH) MIGHT EITHER  
FOLLOW SUIT OR MAKE RADICAL CHANGES IN THEIR  
ORGANIZATIONS HERE.

3. TAPLINE (TRANS-ARABIAN PIPELINE COMPANY, AMERICAN)  
WILL MOVE ALL OPERATIONS TO SIDON EXCEPT FOR SMALL  
GOVERNMENT RELATION STAFF THAT WILL REMAIN IN BEIRUT.  
IT HAS ALREADY IMPLEMENTED OPTIONAL TERMINATION PLAN  
GIVING EMPLOYEES ADDITIONAL COMPENSATION BETWEEN 120  
AND 165 PERCENT OVER LEGAL TERMINATION INDEMNITIES.  
FURTHERMORE, PLAN WILL PAY TOTAL COMPENSATION TO  
EMPLOYEES IN TRANSFERABLE US DOLLARS AT FAVORABLE RATE  
OF LL. 2.70 PER DOLLAR (PRESENT RATE US \$ 1.00 EQUAL  
LL. 3.25 - 3.30), PROVIDING ADDITIONAL BENEFIT OF ABOUT  
TWENTY PERCENT. WE UNDERSTAND THAT ABOUT EIGHTY TAPLINE  
EMPLOYEES ACCEPTED PLAN. APPARENTLY THIS ARRANGEMENT  
EXCEEDS BY FAR COMPENSATION OFFERED BY OTHER OIL COMPANIES.

4. LABOR AFFECTED. LABOR FORCES IN OIL COMPANIES AS  
FOLLOWS: (MOBIL 240 (130 EMPLOYEES AND 110 LABORERS);  
ESSO 150 (85, 65); TAPLINE 220 (100, 120); TOTAL (CFP)  
170; SHELL 220; CALTEX 100, INDEPENDENTS: 150.  
REFINERIES: ABOUT 1,000 EMPLOYEES AND LABORERS. LOCAL  
INDEPENDENT OIL COMPANIES HAVE ALSO TAKEN STEPS TO  
REDUCE NUMBERS OF EMPLOYEES. HYPACO ANNOUNCED IN PRESS  
AUGUST 27 THAT WT WAS LAYING OFF ITS STAFF. HOWEVER  
OTHER LOCAL INDEPENDENT COMPANIES INCLUDING CHAMMAS,  
MEDCO, EZZEDDINE, GHALIEH, AND MESKAWI, WITH TOTAL OF  
ABOUT 150 EMPLOYEES AND LABORERS WILL NOT TERMINATE  
OPERATIONS.

5. FACTORS BEHIND COMPANY TERMINATION DECISIONS. MOBIL  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BEIRUT 07250 01 OF 02 040427Z

AND ESSO INCURRED HEAVY LOSSES FROM SHELLING AT BULK  
TERMINALS AT DORA AND MEDRECO FACILITIES, SIDON (REFTEL A).  
CONTINUED HOSTILITIES HAVE LED TO FORCED ABSENCES LARGE  
NUMBER EMPLOYEES, DIFFICULTY SECURE IMPORTS, TAKEOVERS OF  
MARKETING AND DISTRIBUTING BY LOCAL ADMINISTRATIONS IN  
BOTH EASTERN AND WESTERN AREAS, FREQUENT STATE OF  
EMERGENCY, AND DISRUPTION OF COMMUNICATIONS INCLUDING  
CLOSURE OF BEIRUT INTERNATIONAL AIRPORT. OIL COMPANIES

ALSO FACED OTHER SERIOUS PROBLEMS: REFINERY REQUISITIONING BY GOL, PRICE CONTROLS FIXING MARKETERS OVERHEADS AND MARGINS, AND INFLATION IN EXPENSES, PARTICULARLY LABOR COST, RESULTED IN CURRENT OPERATING LOSSES.

6. REFINERIES. TRIPOLI REFINERY NOT OPERATING BECAUSE LACKS CRUDE OIL. IRAQ/GOL SUPPLY CONTRACT EXPIRED MARCH 1, 1976. MEDRECO REFINERY NOT WORKING. SHELLING JULY 6 DAMAGED TANKS, PIPELINE AND OTHER FACILITIES. EXPECTED RESUME OPERATIONS BY OCTOBER PROVIDED CONTINUES RECEIVING OIL REQUISITIONED FROM TAPLINE BY GOL. REFINED PRODUCTS IN STORAGE AT BOTH REFINERIES WILL SOON BE EXHAUSTED.

7. LEBANESE LABOR PROTESTS. FOLLOWING UNEXPECTED PRESS ANNOUNCEMENTS BY MOBIL AND ESSO, GEORGE SACRE, PRESIDENT OF MOBIL OIL EMPLOYEES' SYNDICATE AND PRESIDENT OF FEDERATION OF PETROLEUM TRADE UNIONS IN LEBANON, SENT TELEXES TO BOARD OF DIRECTORS OF MOBIL OIL NEW YORK, TO INTERNATIONAL CONFEDERATION FREE TRADE UNION, BRUSSELS, AND TO OTHER FEDERATIONS AND UNIONS IN USA, ATTEMPTING TO PRESSURE TWO COMPANIES TO CANCEL DECISION. SACRE ALSO ADDRESSED LETTER TO GHASSAN TUENI, MINISTER OF LABOR AND SOCIAL AFFAIRS AND MINISTER FOR OIL. LETTER SAID: A) MOBIL ACTION UNETHICAL AND DONE WITHOUT ADEQUATE CONSULTATION WITH UNION OR LEGAL NOTIFICATION OF TERMINATION TO COMPANY MEMBERS; B) MOBIL AS OLDEST PETROLEUM COMPANY ESTABLISHED IN LEBANON (SINCE 1919) HAD AVERAGE LENGTH OF SERVICE OF EMPLOYMENT ABOUT 25 YEARS AND MANY 35-40; C) MOBIL SHOULD HAVE DEFERRED DECISION SINCE LOSSES INCURRED IN 1976 ARE TRIFLING COMPARED TO TREMENDOUS GAINS EARNED OVER MORE THAN HALF LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 BEIRUT 07250 01 OF 02 040427Z

A CENTURY, AS COULD BE SEEN FROM COMPANY'S INCOME TAX RETURNS; AND D) DECISION PUTS 390 PERSONS OUT OF WORK, AND WILL BE FOLLOWED BY SIMILAR DECISIONS FROM OTHER PETROLEUM COMPANIES WHICH WILL BRING NUMBER LAID OFF TO OVER 1,000.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BEIRUT 07250 02 OF 02 040434Z

11

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00

ACDA-07 PA-01 PRS-01 LAB-04 SIL-01 /119 W

----- 115513

R 021500Z SEP 76

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 1684

INFO AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY THE HAGUE

AMEMBASSY PARIS

LIMITED OFFICIAL USE SECTION 2 OF 2 BEIRUT 7250

8. FEDERATION WAS DETERMINED TO IGNORE DECISION OF MOBIL AND ESSO AND ASKED ALL STAFF TO CONTINUE REPORTING TO THEIR USUAL PLACES OF WORK AFTER AUGUST 31, UNTIL COMPANIES' DECISIONS CONSIDERED IN PROPER CHANNELS, I.E. DIRECT NEGOTIATIONS BETWEEN EACH COMPANY'S MANAGEMENT AND UNION. IN THE MEANTIME, UNION ITSELF WOULD CARRY ON NORMAL OPERATION BY LIFTING AVAILABLE PRODUCTS FROM REFINERIES AND DISTRIBUTING ANY MOBIL OR ESSO ALLOCATION RECEIVED THROUGH ARAB LEAGUE DONATION PLAN.

9. GOL REACTION. FROM MOBIL WE UNDERSTAND TUENI ADDRESSED TELEX TO BOARD OF DIRECTORS OF MOBIL LEBANON IN NEW YORK, REQUESTING DEFERRAL OF DECISION TO OCTOBER 15, AFTER PRESIDENT-ELECT SARKIS ASSUMES LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BEIRUT 07250 02 OF 02 040434Z

OFFICE, AND TO GIVE HIM TIME TO REVIEW WITH OIL COMPANIES VARIOUS ASPECTS OF THEIR OPERATIONS IN LEBANON. MINISTER OF INTERIOR CHAMOUN IS SAID TO HAVE ADDRESSED MEMORANDUM TO LEBANESE AMBASSADOR IN WASHINGTON

REQUESTING HIM SPARE NO EFFORT TO HAVE MOBIL AND ESSO PUT OFF IMPLEMENTATION OF DECISIONS.

10. ON AUGUST 30 TUENI RECEIVED TWO NEGATIVE ANSWERS FROM COMPANIES. MOBIL NEW YORK REGRETTED HAVING TO MAINTAIN DECISION, GIVING REASONS BEHIND TERMINATION. COMPANY QUOTED ITS REPLY TO UNION, AND STRESSED READINESS TO PAY COMPENSATION ACCORDING TO COMPANY'S PLAN. BOARD DIRECTORS NEW YORK STATED MOBIL WOULD CONSIDER OPERATING IN LEBANON WHEN SITUATION WOULD PERMIT. ON AUGUST 31, TUENI MET WITH RANKING MINISTRY OF LABOR OFFICIALS, PRESIDENT BAR ASSOCIATION AND MILITARY PROSECUTOR.

11. ON SEPTEMBER 1, TUENI ANNOUNCED THAT, AS OF THAT DATE, OPERATIONS OF MOBIL AND ESSO WERE BEING CONTINUED BY A PROVISIONAL GOL/UNION COMMITTEE. COMMITTEE COMPOSED OF A REPRESENTATIVE OF MINISTRY OF INDUSTRY AND OIL, A REPRESENTATIVE OF MINISTRY OF LABOR, A JUDGE, AND THE FEDERATION PRESIDENT. PRESIDENT OF LEBANESE BAR ASSOCIATION WILL SERVE AS LEGAL COUNSEL. WE UNDERSTAND GOL MAY ALSO INVITE COMPANY-LEVEL UNION BRANCHES TO BE REPRESENTED ON COMMITTEE AS WELL. TUENI SAID GOL AIMS TO PRESERVE LIBERAL ECONOMIC PRINCIPLES, PROTECT EMPLOYEE INTERESTS AND SAFEGUARD RIGHTS OF OIL COMPANIES. ARRANGEMENTS, TUENI SAID, ARE INTERIM MEASURE UNTIL NEW (SARKIS) GOVERNMENT CAN ADDRESS PROBLEM AFTER SEPTEMBER 23. COMMITTEE WILL SUPERVISE OPERATION OF A "NEW MOBIL ADMINISTRATION", WHICH WILL ADMINISTER MOBIL FACILITIES AND SIMILAR ENTITY TO ADMINISTER ESSO. TUENI, HOWEVER, ALSO STATED HE WOULD WELCOME CONTINUED NEGOTIATIONS WITH COMPANIES.

12. COMMENT: REAL OBJECT OF UNION MAY BE TO ACQUIRE COMPENSATION ALONG LINES OF TAPLINE PLAN (PARA 3 ABOVE). UNION MIGHT EXERT ADDITIONAL POLITICAL AND PUBLIC OPINION PRESSURES. GOL INITIATIVE MIGHT RESULT IN JOINT GOL OIL COMPANIES UNION VENTURE, OR A GOVERNMENT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BEIRUT 07250 02 OF 02 040434Z

PETROLEUM ADMINISTRATION SIMILAR TO PETROMIN IN SAUDI ARABIA. FOR NOW, IT CLEAR THAT GOL CONTINUES TO SEEK NEGOTIATED SETTLEMENT AGREEABLE TO ALL CONCERNED PARTIES.  
LANE

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM INDUSTRY, REFINERIES, LABOR FORCE  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 02 SEP 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ShawDG  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976BEIRUT07250  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760335-1226  
**From:** BEIRUT  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760999/aaaadguz.tel  
**Line Count:** 270  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION NEA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 BEIRUT 6789, 76 CAIRO 11304  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ShawDG  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 05 APR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <05 APR 2004 by BoyleJA>; APPROVED <10 AUG 2004 by ShawDG>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** OIL COMPANIES SEEK TO CUT BACK OPERATIONS IN LEBANON  
**TAGS:** ENRG, LE, MOBIL, ESSO  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006